

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Insurance  
Baton Rouge, Louisiana

February 21, 2001



**Investigative Audit**

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**Daniel G. Kyle, Ph.D., CPA, CFE**  
**Legislative Auditor**

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### **LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

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# Department of Insurance

February 21, 2001



**Investigative Audit  
Office of the Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**

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February 21, 2001

**MR. J. ROBERT WOOLEY**  
**ACTING COMMISSIONER OF INSURANCE**  
**DEPARTMENT OF INSURANCE**  
Baton Rouge, Louisiana

Transmitted herewith is our investigative report on the Department of Insurance. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the Honorable Doug Moreau, District Attorney for the Nineteenth Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is fluid and cursive.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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[DGP]

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# Executive Summary

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## Investigative Audit Report Department of Insurance

The following summarizes the findings and recommendations as well as management's response that resulted from this investigation. Detailed information relating to the findings and recommendations may be found at the page number indicated. Management's response may be found at Attachment I.

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### Department Employees Paid for Hours Not Worked and Expenses Not Incurred

(Page 5)

**Finding:**

Mr. Samuel Joseph Sarvis, IV, and Mr. Michael L. Coco, former employees, submitted false time sheets and expense reimbursement requests and were paid \$1,779 and \$508, respectively, that they were not entitled to receive. Each of these time sheets and reimbursement requests were improperly approved by Mr. Craig S. Johnson, Deputy Commissioner of Management and Finance.

**Recommendation:**

We recommend that the Department of Insurance implement procedures that will ensure that employees work the hours that they report and incur the expenses for which they are reimbursed. This policy should instruct supervisors as to their responsibility to ensure that time sheets and expense reimbursement requests are properly prepared and accurate and that all payments to employees are appropriate and correct.

In addition, we recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

**Management's Response:**

Management states that when problems were pointed out to the department, corrective action was taken. With respect to Mr. Sarvis, action was taken that same day and Mr. Sarvis has since resigned. Furthermore, in regard to Mr. Coco, he had resigned routinely before any concerns were raised about him.

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## **Employee Paid \$20,110 Though He Was Seldom at Work**

**(Page 11)**

**Finding:** Mr. Fess Irvin, former employee, was paid \$20,110 for 1,120 hours; however, his supervisors and co-workers stated that he was seldom at work.

**Recommendation:** As with the previous finding, we recommend that the department implement procedures that will ensure that employees actually work the hours for which they are compensated.

In addition, we recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

**Management's Response:** Management states that Mr. Irvin was terminated for abandoning his position.

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## **Deputy Commissioner Filed False Expense Reimbursement Requests Amounting to \$11,247**

**(Page 13)**

**Finding:** From July 1, 1998, through September 30, 2000, Mr. Richard Chambers, Deputy Commissioner of Minority Affairs, filed 209 false expense reimbursement requests for 40,169 miles for which he was paid \$11,247. Mr. Chambers stated that he did not actually make the reported trips.

**Recommendation:** We recommend that the department implement procedures that ensure employee expense reimbursement requests are accurately prepared and adequately reviewed before being approved for payment. In addition, the department should ensure that its employees are aware of the provisions of the state travel regulations. We also recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

**Management's Response:** Management states that with regard to Mr. Chambers, difficulties with his travel reimbursement emanated from a communication problem, rather than a willful attempt at receiving excess payment.

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# Background and Methodology

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The Louisiana Department of Insurance was created in accordance with Title 36, Chapter 17 of the Louisiana Revised Statutes of 1950, as a part of the executive branch of government. The department is responsible for supervision and regulation of insurance companies doing business in the state to ensure competitive and available insurance that responsibly serves the insurance needs of Louisiana residents. The department is under the direction of the Commissioner of Insurance who represents the public interest and is responsible to the legislature and the public.

During the performance of an annual audit, the Financial and Compliance Audit Division of the Office of the Legislative Auditor noted certain transactions and circumstances that appeared to be improper. This information was provided to the Investigative Audit Division and this investigative audit was performed to determine the propriety of these transactions and circumstances.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the department; (2) interviewing other persons as appropriate; (3) examining selected records of the department; (4) performing observations and analytical tests; and (5) reviewing applicable state laws and regulations.

The result of our investigative audit is the findings and recommendations herein.



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# Findings and Recommendations

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## DEPARTMENT EMPLOYEES PAID FOR HOURS NOT WORKED AND EXPENSES NOT INCURRED

**Mr. Samuel Joseph Sarvis, IV, and Mr. Michael L. Coco, former employees, submitted false time sheets and expense reimbursement requests and were paid \$1,779 and \$508, respectively, that they were not entitled to receive. Each of these time sheets and reimbursement requests were improperly approved by Mr. Craig S. Johnson, Deputy Commissioner of Management and Finance.**

Mr. Sarvis was employed by the department from September 29, 1998, through September 15, 2000. Mr. Coco was employed by the department from April 17, 2000, until he resigned effective October 9, 2000. Both served the department in its Minority Venture Group. Mr. Johnson served as the department's Deputy Commissioner of Management and Finance from May 25, 1998, and has resigned effective March 4, 2001. Though Mr. Johnson did not directly supervise Mr. Sarvis and Mr. Coco, he routinely approved their time sheets and expense reimbursement requests.

### **Samuel Joseph Sarvis, IV**

Mr. Sarvis was employed by the department from September 1998 until he resigned, subsequent to the beginning of our investigation, during September 2000. During his employment, Mr. Sarvis submitted false time sheets and expense reimbursement requests, was paid \$1,619 for 86.5 hours that he did not work, and was reimbursed at least \$160 for expenses that he did not incur. The hours for which Mr. Sarvis was paid but did not work included time:

- (1) reported as worked though he was actually in New York;
- (2) when he was observed, by investigative auditors, performing personal business;
- (3) when he was performing as a cast member of a play; and
- (4) while he was attending a class at Louisiana State University.

In addition, records obtained from a fitness center where Mr. Sarvis maintained a membership indicated that he was at the fitness center on 52 occasions when his time sheet stated that he was working. Also, Mr. Sarvis was granted leave to attend Louisiana State University on a full-time basis. Furthermore, it appears that Mr. Sarvis was assigned duties for which he was not qualified.

### **Trip to New York**

Though his time sheet and expense reimbursement request reflected that he was working for the department, in August 2000, Mr. Sarvis traveled to New York for personal

business. According to a Continental Airlines manifest, Mr. Sarvis departed from the New Orleans Airport for New York, New York, on Monday, August 7, 2000, at 1:30 p.m. and returned on Saturday, August 12, 2000. Mr. Sarvis signed and submitted a time sheet for the period August 7, 2000, through August 11, 2000, certifying that he worked from 7:00 a.m. until 3:30 p.m. on August 7, 8, 9, and 10, 2000. Also, he certified that he worked 1 hour, 5.5 hours, and 4.5 hours of overtime on August 7, 8, and 9, respectively. Mr. Sarvis submitted a leave slip certifying that he was sick on August 11, 2000. In addition, Mr. Sarvis submitted an expense reimbursement request certifying that he drove to Bastrop, Louisiana, on August 8, 2000, leaving at 7:00 a.m. and returning to Baton Rouge at 9:00 p.m. after driving 530 miles on department business. Mr. Sarvis' time sheet and expense reimbursement request were approved by Mr. Johnson, thereby causing Mr. Sarvis to be paid \$746 in wages, for 35.5 hours, and \$160 in expense reimbursements to which he was not entitled. In addition, Mr. Sarvis earned 11 hours of compensatory time for overtime hours that he did not work.

Mr. Sarvis acknowledged that he did go to New York, but stated that he thought that he left on a Thursday or Friday and returned on a Sunday. Mr. Johnson stated that although he approved Mr. Sarvis' time sheet, leave request, compensatory hours, and expense reimbursement request, he would have had no way of knowing that any of the reports were false. It should be noted that during the time period covered by this time and expense report, Mr. Sarvis and Mr. Johnson were living in the same home.

### **Observations of Investigative Auditors**

Mr. Sarvis was compensated for hours when he was observed performing personal business. Investigative auditors observed Mr. Sarvis' activities on August 17, 18, and 31, 2000. During these three days, Mr. Sarvis was observed conducting personal business, visiting a fitness center, and driving toward Marksville, Louisiana, at times that, according to his time sheet, he was working for the department. Mr. Johnson approved Mr. Sarvis' time sheet, thereby causing him to be paid \$305, for 14.5 hours, and earning 5 hours of compensatory time for hours that he did not work.

### **Cast Member of a Play**

Mr. Sarvis was paid for eight hours of sick leave when he was actually performing as a cast member of a play. Mr. Sarvis was a cast member in a performance on August 25, 26, and 27, 2000, in Marksville, Louisiana. Mr. Sarvis submitted a time sheet claiming eight hours of sick leave on Friday, August 25, 2000. Mr. Sarvis stated that he used eight hours of sick leave on August 25 even though he was not sick. Department policy prohibits the use of sick leave for purposes other than illness. Mr. Sarvis submitted this time sheet and leave request to Mr. Johnson who approved the time sheet, thereby causing Mr. Sarvis to receive \$168, for 8 hours, that he was not entitled to.

### **Class at Louisiana State University**

Mr. Sarvis also claimed and was paid for time when he attended a class at Louisiana State University. From May 15, 1999, through May 19, 1999, Mr. Sarvis was enrolled in a class at Louisiana State University that met from 8:00 a.m. until 5:00 p.m. each day. Mr. Sarvis stated that he did not miss any of the classes in that session, yet his time sheet indicates that he worked from 7:00 a.m. until 6:30 p.m. on May 17, 18, and 19, 1999. Mr. Sarvis submitted his time sheet to Mr. Johnson who approved the false time sheet causing Mr. Sarvis to be paid \$400 for 24 hours and earn 4.5 hours of compensatory time that he did not work.

### **Spectrum Fitness Center**

Mr. Sarvis also reported time on his time sheets as worked and received expense reimbursements for out-of-town travel when records indicate that he was present at a Baton Rouge fitness center. On 52 occasions, during a nine-month period, entry logs of the Spectrum Fitness Center indicate that Mr. Sarvis was at the fitness center at times when his time sheets certify that he was at work.

In addition, Mr. Sarvis submitted an expense reimbursement request claiming that he traveled from Baton Rouge to the Town of Vivian (approximately 300 miles one way) on September 7, 2000, from 7:00 a.m. to 11:15 a.m. and returning to Baton Rouge from 5:30 p.m. to 9:30 p.m. However, entry logs of the Spectrum Fitness Center indicate that Mr. Sarvis was at the fitness center in Baton Rouge at 11:12 a.m. and 7:30 p.m. on this day. For that day, Mr. Sarvis submitted an expense reimbursement request claiming 617 miles and two meals. This reimbursement request was approved and a check was prepared totaling \$192.76. However, this check was voided before being released.

### **Attending Louisiana State University**

Mr. Sarvis was granted leave to attend Louisiana State University on a full-time basis during normal work hours. On December 30, 1999, Mr. Sarvis received an unclassified appointment as an Administrative Specialist in the Receivership Division. Our investigation revealed that Mr. Sarvis does not appear to have performed any work for the Receivership Division, rather he actually worked in the Minority Venture Group. At the time of the appointment, Mr. Sarvis was a full-time student pursuing a degree at Louisiana State University in Baton Rouge. His salary was set at \$42,000 per year and was raised to \$43,680 effective June 26, 2000. Mr. Sarvis was granted educational leave in the spring of 2000 not to exceed 240 hours, which resulted in his receiving a full-time salary while pursuing his education as a full-time student. During the spring of 2000, Mr. Sarvis' class schedule required that he attend 15 hours of classes per week during his normal work hours and 6 hours per week at night.

Mr. Johnson stated that he thought Mr. Sarvis was going to become a certified internal auditor and, as a result, the department would benefit by subsidizing his education. However, Mr. Sarvis did not take any business or auditing related courses in the spring

and summer sessions of 2000. In August 2000, Mr. Sarvis was awarded a bachelor of general studies degree from the College of Arts and Sciences with a major in general studies and minors in music, sociology, and speech communication.

### **Assigned Duties for Which He Was Not Qualified**

In addition, it appears that Mr. Sarvis was assigned to perform work for which he was not qualified. This was previously reported to the department; however, Mr. Johnson misled the Legislative Auditor in his response.

A weakness reported by the Legislative Auditor in the department's annual audit for fiscal year 2000 stated, in part:

... A risk assessment was prepared without the direct involvement of the director of internal audit. The responsibility for preparation was assigned by the department's Chief of Staff, Craig Johnson, to an employee Mr. Sarvis who was not an internal auditor and did not have the necessary educational background to participate in the risk assessment process. The employee had completed only nine semester-hours of accounting and did not possess a college degree. His educational background was in music, sociology, and speech ...

Mr. Johnson responded to the finding in part as follows:

... When the risk assessment project began in the spring of 1999, Joseph Sarvis was an Internal Audit Intern working with Nancy Vogt. At the time he was enrolled in internal auditing courses at LSU. This gave him a unique perspective and access to resources, which were of great assistance in this endeavor. He worked closely with Dr. Glenn Sumners, DBA, CPA, CFE and was able to use him as an additional source of information in the planning and execution of the risk assessment project. While the employee lacked a degree in accounting, his working knowledge of the Department and its workings made him qualified to compile data necessary and evaluate risk ...

However, Mr. Sarvis did not work closely with Dr. Sumners. Dr. Glenn Sumners, a professor at Louisiana State University, stated that Mr. Sarvis did not consult with him regarding the department and that he may have spoken to Mr. Sarvis for three minutes after class. Dr. Sumners stated that Mr. Sarvis would not have had the educational background or enough experience to allow him to adequately prepare the risk assessment for the department. In addition, Dr. Sumners stated that the risk assessment, shown to him by Legislative Auditors, for the department was very close to the project, "General Hospital" that was prepared in his class.

Mr. Johnson stated that Mr. Sarvis has been "a valuable system contributor," and that Mr. Sarvis is "an invaluable employee who has made outstanding contributions to the department."

## **Michael Coco**

Mr. Coco was employed by the department and worked in the Minority Venture Group from April 17, 2000, until he resigned, subsequent to the beginning of our investigation, effective October 9, 2000. Mr. Coco traveled throughout the state gathering information for the Minority Venture Group. Mr. Coco had a restricted appointment and was paid \$12 per hour. During his employment, Mr. Coco falsified his time card, submitted a false expense reimbursement request, was paid \$360 in salary for hours that he did not work, and received \$148 for expenses he did not incur.

### **Trip to New York**

On one occasion, Mr. Coco reported hours on his time card when he was actually on personal business in New York. According to the Continental Airlines manifest, Mr. Coco departed from the New Orleans Airport for New York on Monday, August 7, 2000, at 1:30 p.m. and returned on Saturday, August 12, 2000. Mr. Coco's time card for August 7, 2000, shows a machine punch at 8:12 a.m. and a handwritten entry of 4:45 p.m. For August 8 and 9, 2000, handwritten entries indicate start times of 7:00 a.m. on both days and ending times of 9:00 p.m. and 8:00 p.m., respectively. Mr. Coco did not claim any hours worked on August 10 and August 11. Mr. Coco initialed the handwritten entries for August 7, 8, and 9, 2000, and signed the time card. Thus, Mr. Coco claimed to work 30 hours that he did not work. Mr. Johnson approved the time sheet, thereby causing Mr. Coco to be paid \$360 for hours he did not work.

Mr. Coco also submitted a reimbursement request for travel reportedly taken on August 9, 2000, one of the days that he was in New York. According to the reimbursement request, he departed Baton Rouge at 7:00 a.m. on August 9, 2000, arrived in Mansfield, Louisiana, at 12:15 p.m., and returned to Baton Rouge at 8:00 p.m. He claimed that he traveled 484 miles and requested reimbursement for one meal. Mr. Johnson approved the requested reimbursement, thereby causing Mr. Coco to be paid \$148 for a trip that he did not make.

On September 14, 2000, Mr. Coco stated that he remembered traveling to Eros, Louisiana, and several other small towns with Mr. Sarvis on September 8, 2000. However, Mr. Coco could not remember with whom he had spoken nor the nature of the discussions.

## **Conclusion**

Mr. Sarvis submitted false time sheets and expense reimbursement requests and received at least \$1,619 in wages and \$160 in expense reimbursements to which he was not entitled. Mr. Coco submitted a false time card and expense reimbursement request and received at least \$360 in wages and \$148 in expense reimbursements to which he was not entitled. As a result of their actions, Mr. Sarvis and Mr. Coco may have violated one or more of the following Louisiana laws:

- R.S. 14:67, "Theft"
- R.S. 14:133, "Filing or Maintaining False Public Records"
- R.S. 14:134, "Malfeasance in Office"
- R.S. 14:138, "Public Payroll Fraud"

By approving false time sheets and expense reimbursement requests, Mr. Johnson failed to meet his responsibility under the Louisiana Administrative Code Policy and Procedure Memoranda Number 7 (PPM 7), which requires that no approval for payment be given without sufficient evidence that such services were received. Furthermore, PPM 7 states that an employee will be held accountable for his acts of approval. In addition, Mr. Johnson may have violated the provisions of one or more of the following Louisiana laws:

- R.S. 14:26, "Conspiracy"
- R.S. 14:134, "Malfeasance in Office"

Though the actions of the individuals listed in this report appear to substantiate the elements of the laws listed above, the actual determination as to whether individuals are subject to formal charge is at the discretion and determination of the district attorney.

We recommend that the Department of Insurance implement procedures that will ensure that employees work the hours that they report and incur the expenses for which they are reimbursed. This policy should instruct supervisors as to their responsibility to ensure that time sheets and expense reimbursement requests are properly prepared and accurate and that all payments to employees are appropriate and correct.

In addition, we recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

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## **EMPLOYEE PAID \$20,110 THOUGH HE WAS SELDOM AT WORK**

**Mr. Fess Irvin, former employee, was paid \$20,110 for 1,120 hours; however, his supervisors and co-workers stated that he was seldom at work.**

Mr. Irvin was employed by the department from August 16, 1999, through March 5, 2000, through temporary and seasonal appointments. On August 16, 1999, the department hired Mr. Irvin through a 90-day restricted appointment as an Executive Staff Officer assigned to the department's Licensing Division. After the expiration of the restricted appointment, Mr. Irvin received a 90-day multiple restricted appointment to the same position. At the expiration of the multiple restricted appointment, Mr. Irvin was given an unclassified seasonal appointment as a technician in the department's Licensing Division. Internal memorandums indicate that Mr. Irvin spoke directly to Commissioner James "Jim" Brown about extending his employment.

Throughout his employment, Mr. Irvin was assigned to the Licensing and Compliance Division. During that time, four supervisors signed approving his time sheets. They were Mr. Lester Dunlap, former Assistant Commissioner of Licensing and Compliance; Ms. Mary Beth Roussel, Assistant Director of Licensing; Ms. Terri Taylor, Assistant Commissioner of Licensing and Compliance; and Mr. Gillis Hill, Chief Deputy Commissioner under the Office of the Commissioner. These four supervisors signed time sheets approving Mr. Irvin's hours although they did not have knowledge that Mr. Irvin worked the hours reported on his time sheets.

Ms. Taylor and four other employees stated that Mr. Irvin was seldom at work in the Licensing Division. Ms. Taylor further stated that when Mr. Irvin was originally employed, Commissioner Brown told her that Mr. Irvin would be coming to work in her area and that he (Mr. Irvin) would also be doing special projects for Commissioner Brown. She stated that she assumed that Mr. Irvin was doing special projects for Commissioner Brown when he was not working in the Licensing Division.

Mr. Lester Dunlap, former Assistant Commissioner of Licensing and Compliance, stated that he could not recall Mr. Irvin working in the Licensing Division during the period August 1999 through January 2000. He also stated that he did not recall Mr. Irvin having an assigned workstation in Licensing. Mr. Dunlap further stated that he did not receive a call from Commissioner Brown with any instructions concerning Mr. Irvin's employment. According to Mr. Dunlap, when he signed Mr. Irvin's time sheets, he was relying on the timekeeper for assurance that the hours reported were actually worked.

Ms. Patricia Brock, Mr. Irvin's timekeeper, stated that she had a difficult time getting Mr. Irvin to sign his time sheets, because he frequently was not around when time sheets were due. According to Ms. Brock, on at least nine occasions, she forwarded time sheets to the Payroll Division without Mr. Irvin's signature. According to Ms. Darlene Redd, Payroll Supervisor, on occasions when she attempted to locate Mr. Irvin to sign the time sheets, Ms. Beryl Brumfield, an employee in the Licensing Division, telephoned Mr. Irvin who came to the office to sign his time sheets.

Mr. Hill stated that he heard Mr. Irvin was not signing his time sheets. According to Mr. Hill, he asked Mr. Craig Johnson, Deputy Commissioner of Management and Finance, what duties Mr. Irvin was assigned to perform and whether the department needed to keep him. Mr. Hill stated that Mr. Johnson told him that if Mr. Irvin was not signing his time sheets that Mr. Irvin should be terminated. Mr. Hill stated that he notified the personnel office to terminate Mr. Irvin. Mr. Hill also stated that he never talked to Mr. Irvin and did not try to determine whether or not Mr. Irvin actually did any work. Two department employees stated that they saw Mr. Hill write in Mr. Irvin's hours on his last two time sheets dated February 20, 2000, and March 5, 2000. Mr. Hill denied preparing the time sheets but acknowledged that he did approve them.

Mr. Irvin stated that he worked all of his hours in the Licensing division and never performed any special projects for Commissioner Brown or anyone else. Commissioner Brown confirmed that Mr. Irvin never performed special projects for him and did not recall informing Ms. Taylor that special projects would be part of Mr. Irvin's duties.

By causing payment of public funds for work not performed, the four supervisors and Mr. Irvin may have violated one or more of the following Louisiana laws:

- R.S. 14:133, "Filing or Maintaining False Public Records"
- R.S. 14:134, "Malfeasance in Office"
- R.S. 14:138, "Public Payroll Fraud"

Though the actions of the individual listed in this report appear to substantiate the elements of the laws listed above, the actual determination as to whether any individual is subject to formal charge is at the discretion and determination of the district attorney.

As with the previous finding, we recommend that the department implement procedures that will ensure that employees actually work the hours for which they are compensated.

In addition, we recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

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**DEPUTY COMMISSIONER FILED  
FALSE EXPENSE REIMBURSEMENT  
REQUESTS AMOUNTING TO \$11,247**

**From July 1, 1998, through September 30, 2000, Mr. Richard Chambers, Deputy Commissioner of Minority Affairs, filed 209 false expense reimbursement requests for 40,169 miles for which he was paid \$11,247. Mr. Chambers stated that he did not actually make the reported trips.**

Mr. Richard Chambers has been the Deputy Commissioner for Minority Affairs since September 15, 1988. Mr. Chambers is domiciled, for employment purposes, in Baton Rouge but maintains his residence in New Orleans. From July 1, 1998, through October 1, 2000, Mr. Chambers submitted 209 expense reports claiming 40,169 miles for travel from Baton Rouge to New Orleans that resulted in his being paid \$11,247. According to Mr. Chambers, he usually works out of his home in New Orleans on Mondays and Fridays and commutes to Baton Rouge on the other days. Though Mr. Chambers originates and ends the days he works in New Orleans from his New Orleans residence, his travel reimbursement requests indicate that his travel originated and ended in Baton Rouge. The result is that the mileage, as claimed on his reimbursement requests, is false.

The odometer readings and times traveled reflected on his expense reports are not actual readings. Mr. Chambers stated that he creates mileage readings and gives those to his secretary who prepares his expense reimbursement requests. Mr. Chambers stated that he just signs what she prepares and that he did not actually make the trips recorded on his expense reimbursement requests. On each report, Mr. Chambers signed the following statement:

*I certify that this expense account is just and true in all respects; that the distances shown were actually and necessarily traveled on the dates specified on official business only; that the expenses charged were incurred on official business of the State and none of the expenses have been paid by the State; and the full amount is justly due.*

Mr. Chambers stated that Ms. Brenda St. Romain, former Assistant Commissioner of Management and Finance, was aware of his travel arrangement. However, Ms. St. Romain stated that she was unaware that Mr. Chambers was claiming mileage to and from New Orleans on days that he did not actually travel. She said that she would never have approved any arrangement that paid Mr. Chambers for travel that he did not incur.

Mr. Chambers also stated that Commissioner Brown was aware of and agreed with his travel arrangement. Commissioner Brown stated that he never directed that Mr. Chambers get any special treatment.

By submitting false travel claims, Mr. Chambers may have violated the provisions of Louisiana State Division of Administration Policy and Procedure Memorandum 49 (State Travel Regulations) and the provisions of one or more of the following Louisiana laws:

- R.S. 14:133, "Filing or Maintaining False Public Records"
- R.S. 14:134, "Malfeasance in Office"

Though the actions of the individual listed in this report appear to substantiate the elements of the laws listed above, the actual determination as to whether an individual is subject to formal charge is at the discretion and determination of the district attorney.

We recommend that the department implement procedures that ensure employee expense reimbursement requests are accurately prepared and adequately reviewed before being approved for payment. In addition, the department should ensure that its employees are aware of the provisions of the state travel regulations. We also recommend that the District Attorney for the Nineteenth Judicial District of Louisiana review this information and take appropriate legal action regarding possible violations of state laws, to include seeking restitution.

**Attachment I**

**Management's Response**



JAMES H. "JIM" BROWN  
COMMISSIONER OF INSURANCE  
STATE OF LOUISIANA

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February 19, 2001

Dear Dr. Kyle:

You have issued findings concerning four employees of the Department of Insurance after conducting an inquiry, with the full cooperation of the administration of this department, into payroll and expense practices.

In the course of the conduct of this audit inquiry, the Department has made management changes while taking additional measures intended to help assure the accuracy of payroll and expense reimbursement reporting.

Heretofore during this transitional period, the administration of this Department has concentrated on efforts to ensure that the core responsibilities of this agency continue to be carried out efficiently and effectively, and that is the regulation of the insurance industry for solvency and market practices. We are satisfied that our efforts directed at our main mission, protecting the policyholders, continue to be successful.

However, this latest audit has caused us to focus more on internal controls, and although we have already made some changes, this will be an ongoing effort.

When problems were pointed out to the Department, we took corrective action.

When auditors from your office contacted Mr. Johnson and conveyed their concerns regarding Mr. Sarvis, action was taken that same day. Mr. Sarvis was immediately suspended without pay. He resigned that same day. All compensatory time and travel expense payments were frozen, and withheld from Mr. Sarvis. That amounts to more than \$5,000.

In regard to Mr. Coco, he had already resigned routinely before any concerns were raised about him.

In the case of Fess Irvin, action was taken by the Department, in advance of any action by the Legislative Auditor. Mr. Irvin failed to show up for work three days in a row, and failed to appear in person to sign a final time sheet, required for payroll purposes. He was terminated effective March 3, 2000 for abandoning his position. Subsequently, Mr. Irvin was contacted and said some of the questions which have been raised about his

employment emanated from confusion over when he had intended to quit his job and conveying that information to his supervisor.

With regard to Mr. Chambers, when concerns were raised in this instance, the accounting section of the Department of Insurance contacted the Division of Administration's Travel Office to determine how his travel mileage should be calculated. Since Mr. Chambers commutes to Baton Rouge from his home in LaPlace, and since he sometimes travels on business from his home rather than embarking from his Baton Rouge employment domicile, questions were raised about the correctness of his travel reimbursement.

It was the understanding of the Department that Mr. Chambers' travel reimbursement was calculated in a manner arrived at by our accounting department. It was the impression of the Department that if there were any difficulties with Mr. Chambers' travel reimbursement, the problems emanated from a communication problem, rather than a willful attempt at receiving excess payment.

We have the responsibility to see that our 272 employees handle the public's business properly and efficiently, and we will strive to do that. We have taken corrective action where we see problems. Whether any of these matters warrant criminal action, or are the result of misunderstanding and errors, is a question to be answered by the District Attorney's office.

With best wishes,

A handwritten signature in black ink, appearing to read "J. Robert Wooley", with a long horizontal stroke extending to the right.

J. Robert Wooley  
Acting Commissioner of Insurance

# Attachment II

## Legal Provisions

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# Legal Provisions

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The following legal citations are referred to in the Findings and Recommendations section of this report:

**R.S. 14:26** provides, in part, that criminal conspiracy is the agreement or combination of two or more persons for the specific purpose of committing any crime; provided that an agreement or combination to commit a crime shall not amount to a criminal conspiracy unless, in addition to such an agreement or combination, one or more of such parties does an act in furtherance of the object of the agreement or combination.

**R.S. 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

**R.S. 14:133** provides, in part, that filing false records is the filing or depositing, with knowledge of its falsity, of any forged document for record in any public office or with any public officer or any false statement or false representation of a material fact made or caused to be made on any document required to be submitted or maintained by any state law, where such false statement or false representation is made with the intent to violate such law, regulation, or rule.

**R.S. 14:134** provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

**R.S. 14:138** provides, in part, that payroll fraud is committed when any public officer or public employee shall carry, cause to be carried, or permit to be carried, directly or indirectly, upon the employment list or payroll of his office, the name of any person as employee, or shall pay any employee, with knowledge that such employee is receiving payment or compensation for services not actually rendered by said employee or for services grossly inadequate for such payment or compensation.

